

WORK PLAN FOR REVIEW OF SUDAN DIVESTMENT

The PERSI Board has directed the staff to create a work plan for review of the factors surrounding divestment from companies doing business in Sudan and to present it to the Board. The divestment issue has been brought forward because of the atrocities occurring in the Darfur region of the Sudan and because of a desire by some Idaho citizens and PERSI members to positively impact that situation. The PERSI Board has expressed their condemnation of the atrocities in Darfur and the actions (or inaction) of the Sudan Government. PERSI is not invested in the Sudan government or any Sudan companies, and Sudan is not on PERSI's list of allowed countries for direct investments.

A few of the PERSI money managers have investments in Chinese, Malaysian, Swedish and British companies that do some business in Sudan, according to the list from the Sudan Divestment Task Force. These are large international companies such as PetroChina and Rolls Royce that have world-wide operations and are part of international developed and emerging markets investments selected by the managers (PERSI investment decisions are made by professional money managers, not by staff).

In its 40 years history PERSI has neither voluntarily used -- nor been required to use -- member assets to promote any social or political interest or cause through its investment efforts. To consider using PERSI member assets for social investment purposes, such as the Sudan divestment, is a serious decision for the Board that has complex legal and fiduciary implications. The Board has directed the staff to perform a review of the situation in Darfur as well as the PERSI structure and how the concept of divestment would affect the operations. The staff is submitting this work plan to accomplish that review and will report to the Board over the next several months.

TENTATIVE SCHEDULE FOR APRIL BOARD MEETING

Legal: The current basis of law regarding fiduciary responsibility of the Board. This will include review of the Board's authority and obligations regarding the investment process under current statutes. This would also include an analysis of the recent Federal Court ruling in the Illinois case. Explore the balance of social investing with the fiduciary duty of PERSI trustees.

Situation in Sudan: This would include documents regarding the history of the Sudan and UN reports on the human situation in Darfur. This could include documents from the Task Force and other humanitarian organizations in the region to get a perspective on the effect on lives of the Sudanese.

Perspective within Africa: Examine the geopolitical influences within Africa and specifically the Sudan. What were and are the internal and external influences at work in the region?

Investment: What would be the impact on the PERSI mission and operations of divestment and social investing? From a money manager perspective, how does divestment work and what are costs? How would the Board draw the line on which companies to subject to divestment (Hertz, Hilton Hotels, etc have operations in Sudan)?

Administrative: Is the Sudan divestment effort the beginning of a broader social investment agenda? What possible social investment issues are on the horizon? In a social investment environment, what process would be used to analyze future proposals? What could be the role of the 401(k) investment options in social investing?

TENTATIVE SCHEDULE FOR MAY BOARD MEETING

Ownership of Stock: What is the connection between PERSI's ownership of stock or other securities in companies doing business in Sudan and the financing of genocide in Darfur? Does purchase or ownership of stock translate to supporting of genocide in Darfur? Are PERSI investments or companies "profiting from genocide" in Darfur? Are PERSI investments funding the Sudan government?

Divestment: What would be the impact on the situation in Darfur with PERSI divestment of investments in companies doing business in Sudan? Review of the history of divestment and its effectiveness. How does engagement and divestment work, is it effective and what is the goal of divestment? What is the position of Federal Government on state engagement and divestment efforts regarding companies from other countries?

Experience of Other States: What is the current state of legislation and actual divestment? What is the experience from states that have had divestment legislation? What is the experience from states that have divested – processes and costs?

Tentative Schedule

March – Work Plan and discussion of process
April – Board presentation outlined above
May (Pocatello) – Board presentation outlined above
June – No board meeting scheduled
July – Discussion by Board and possible decision.
August – Further discussion and decision.